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TO RUEHZK/ECOWAS COLLECTIVE PRIORITY
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SUBJECT: OIL ADVISOR SAYS NIGERIA IS NO VENEZUELA

¶1. (SBU) Summary. The Nigerian president's special advisor on petroleum said that recent press reports on petroleum contract renegotiations were overblown and Nigeria was "no Venezuela." He clarified that the older oil production contracts were past due to be reworked, but the process will take some time and they will not all be done at once. These contract reviews are likely connected to plans to reform the Nigerian oil and gas sector. End Summary.

¶2. (SBU) In a meeting with Econoffs, the Special Advisor to the President on Petroleum Matters, Dr. O. Emmanuel Egbogah said that recent international and local press stories that Nigeria was renegotiating all its oil contracts were overheated. (Note: During a recent press conference, another presidential advisor, Rilwanu Lukman, told reporters that Nigeria would renegotiate its oil production contracts with the international oil companies (IOCs). That led to much press speculation about the scope of the renegotiations. End Note). Egbogah took pains to point out that Nigeria was not going to attempt to replicate what happened in Venezuela. According to Egbogah, only the joint venture contracts with the IOCs would be reviewed. Most of these contracts are with Shell and Chevron and cover onshore and some shallow offshore oil fields. Some of the contracts date back twenty years and, although their terms permit periodic renegotiation, few have ever been updated. Deeper offshore oil fields use more modern production sharing contracts (PSCs) which will not be renegotiated at this time. Egbogah said that the PSCs were "working okay."

¶3. (SBU) According to Egbogah, as part of the renegotiations, Nigeria will likely seek to change the structure of the contracts from unincorporated joint ventures to incorporated joint ventures. Incorporating the joint ventures, Egbogah claims, would permit the partners to seek funding from third parties and end the cash calls that Nigeria has been unable or unwilling to meet. Egbogah acknowledged that Nigeria is currently about 5 billion USD in arrears in cash call payments. Contracts will be reviewed on a rolling basis, not all at once, and the process is likely to take months, if not longer. Egbogah told Econoffs that plans for renegotiating the contracts were made in consultation with the oil companies and he routinely meets with the IOC managing directors to discuss the issue. He said the push to renegotiate is part of larger plans to restructure the Nigerian National Petroleum Corporation (NNPC).

¶4. (U) Egbogah has a significant international petroleum

resume. He did his undergraduate studies in Moscow in the 1960's and earned his PhD in petroleum engineering from Imperial College in London in 1979. Egbogah is the chairman of several small international energy companies and worked for the Malaysian state oil company PETRONAS as a technical advisor in the 1990's. He has also worked for oil companies in Libya and Canada.

15. (SBU) Comment: Egbogah's comments are reassuring in light of the uncertainty that followed Lukman's press conference. Such public comments need to be seen in the context of a future restructuring of the NNPC. Both reflect the Nigerian government's desire to end the burden of cash call payments to the joint ventures. The IOCs routinely cite Nigeria's failure to meet its funding obligations as a serious impediment to expansion of the oil and gas sector. An incorporated joint venture structure may be an acceptable solution for all parties. End Comment.

HUTCHINSON